

MEMORANDUM FOR: EIC Secretariat

THROUGH: Chief, Economic Research
THROUGH: Chief, Industrial Division, ORR

FROM: Chairman, EIC Subcommittee on Industrial Machinery
and Equipment

SUBJECT: Annual Review of Activities and Accomplishments
(FY 1957)

A. Activities of the Subcommittee During Fiscal Year 1957

1. Review of the Intelligence Product in the Subcommittee's
Field of Competence

The Subcommittee is pleased with the development of substantive intelligence which took place in FY 1957 in the field of industrial machinery and equipment. Worth noting are the following:

a. Significant progress was made toward closing several of the research gaps in this field, and plans for FY 1958 research will result in further accomplishment in this respect. The progress of this work is detailed in Annex A to this report.

b. Changes in emphasis in the work of the Air Force during the year caused negotiations to be undertaken and concluded between Air Force and CIA wherein it is planned for Air Force to utilize, in its future Air Targets study, production estimates in the industrial machinery and equipment field which CIA will develop and supply. It is anticipated that discussions between CIA and Air Force, as this work progresses, will cover such subjects as definition, methodology, and mutual evaluations of developed statistics, and will result in a continuing series of agreed estimates on important basic commodities.

c. Phase I of the Air Force external research project, Planning Study of the Soviet Heavy Machine Building Industries, was completed at the University of North Carolina. The Subcommittee proposes to review this work carefully at an early meeting, and to inquire into Air Force plans for the development of Phase II.

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d. The Subcommittee notes a material increase in the quantity of statistics in its field published by official Sov Bloc sources. It is hoped that careful study and evaluation of these additional sources may result in the improvement of knowledge of production and inventory of many industrial machinery items which are basic to the national economy.

2. Research and Collection Deficiencies

a. The Subcommittee completed preparation of its report of priority research deficiencies in FY 1957. At the year's end the Subcommittee is pleased to note that significant progress has been made toward closing many of the indicated gaps. Progress to date and plans for FY 1958 pointed toward further activity in this direction are contained in the attached Annex A. It should be recalled, however, that agency research effort currently available for basic study in the field of industrial machinery and equipment is limited principally to CIA, owing to changes of emphasis in the work of other agencies formerly active in this field.

3. Review of Substantive Papers

a. The Subcommittee limited its review of substantive work during the year to the Air Force external economic research project, Planning Study of Soviet Heavy Machine Building Industries Phase I of which was completed in early 1957 at the University of North Carolina. At various meetings the progress of this work, its methodology, proposed utilization, and probable utility were discussed extensively, with the valuable assistance and cooperation of representatives of the Air Force who are knowledgeable in the subject. It is proposed to review Phase I carefully at an early meeting.

b. In FY 1958 it is proposed also to review other significant substantive products in the Subcommittee's field. Currently two studies are being considered for such review:

- (1) CIA/RR PR-161, Trends in Automation in the USSR, published 31 May 1957.
- (2) CIA/ORR Project No. 34.501, Production of Metalforming Equipment in the USSR (not yet published).

4. Review of Proposals for External Research

The Subcommittee was not called upon to review proposals formally involving external research. At its meeting of 16 August 1956 the Subcommittee heard explanation informally of plans for the

initiation by CIA/ORR of an external research project on the subject of labor productivity in USSR industries, which was followed by discussion of the feasibility of such an effort. It is understood that final conclusions are that insufficient value would be derived from this project to justify its initiation.

5. Maintenance of Agreed Basic Statistics

In view of procedural changes instituted by the Air Force with respect to commodity categories in the industrial machinery and equipment field, under which the Air Force will make use of CIA production estimates in its future Air Targets Study, the Subcommittee did not engage in extensive work on agreed estimates.

6. Projects Undertaken at the Request of the EIC or Proposed to the EIC - None

7. Intelligence Research Techniques - None

8. Special Coordination Functions of the Subcommittee

The Subcommittee completed early in FY 1957 consideration of a request of the IAC Standing Committee on Exchanges for comment and recommendations on a Soviet proposal for exchange of visiting delegations in the forging press industry. The Subcommittee's evaluations and suggestions regarding procedure and itineraries were approved by the IAC Standing Committee with minor modifications.

9. Evaluation of the Role of the Subcommittee

a. It is felt the Subcommittee has effectively realized its potential during the past year, owing in large part to the active interest, participation and cooperation of the representatives of all the participating agencies. Because of the character of emphasis currently in the research effort of the various participating agencies, a high level of Subcommittee activity was not as essential in FY 1957 as in previous years.

b. There are no outstanding administrative problems presently impeding the Subcommittee. However, it is felt that participation by the Department of the Navy, through addition to the membership of a representative of ONI, would materially enhance the Subcommittee's capability and usefulness.

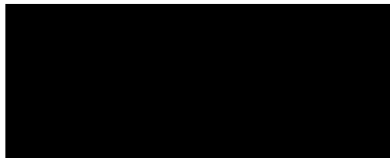
B. Future Program of the Subcommittee

It is the Subcommittee's plan to maintain its organization in FY 1958 and to meet at appropriate times to accomplish the following principal objectives:

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1. To review significant substantive intelligence products in the field of industry machinery and equipment.
2. To review progress toward the closing of priority research gaps and to determine current priority deficiencies of collection.
3. To consider plans of the participating agencies for initiation of, and the progress of, external research in its area of interest.
4. To examine the state of basic statistics in its field, particularly in view of the augmented publication by the Bloc countries of industrial production statistics.

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